

MEMORANDUM FOR THE RECORD

SUBJECT: PROJECT ORACLE

Reference: A. AMPLEX Contract
B. AMPLEX Contract

(FFA)
(EPFF)

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I Introduction

The purpose of this memorandum is to summarize the current status of Project Oracle and to set forth the various courses of action available to the Government. To the maximum extent possible, an attempt has been made to quantify in dollar terms the results of the selection of any particular course of action.

II Background

The Oracle Program provides for the development and installation of a Mass Storage System (MSS) for the Office of Joint Computer Services. The selection

of Ampex as the contractor resulted from the issuance of a Request for Proposal on 1 December 1972 to mini corporations. Four corporations submitted proposals: There were: (1) Ampex Corporation; (2) Human Data Systems Corporation; (3) Precision Instruments; and (4) Control Data Corporation. After completion of the evaluation process, Ampex was selected as the contractor to provide the Mass Storage System and two contracts were awarded Ampex with effective dates of 11 June 1973 and completion dates of 30 August 1975 respectively.

Contract [] is a firm fixed price contract for hardware. Contract [] is a cost plus fixed fee.

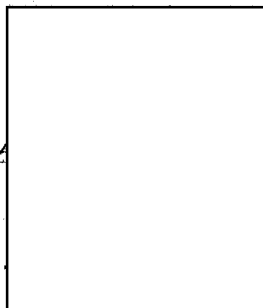
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Contract was written as a

firm fixed price contract. The contract (as amended) provides for the following:

Increment I Equipment
 Increment II Equipment (Option)
 Accommodation Procurement (GFA)
 Equipment Rented
 Total Contract Price



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The contract states that within sixty (60) days after completion of Test 2 - System Pre-shipment

Acceptance Test defined and identified in Exhibit II

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under CFF Contract, , the Government

may order Increment II hardware. There is

also another option provision for additional equipment

which states that such option shall be

effective for a period of ninety (90) days after

final acceptance of the Increment I Equipment.

This latter option provision helps to clarify what constitutes "final acceptance" of hardware under the fixed price contract which is legal issues that will be discussed further in this memorandum.

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Contract is a cost plus fixed fee contract under which Ampet Corporation is to perform the role of system engineer for the Mass Storage System. Deliverables under the contract include software, SCP/EDCP interfaces (2 each), manuals, and technical and financial status reports. The contract also includes as deliverables:

"all hardware being procured

under Contract No. . As the items thereunder are accepted by the Government their accountability shall be transferred to this contract to be incorporated into the end item identified as the Mass Storage System. All shall be subject to Article 19d) Approved For Release 2004/10/28 : CIA-RDP80-01794R000100230028-6 (the Government Property Clause.)

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III. CONTRACTOR PERFORMANCE.

The contractor has performed poorly from the inception of the contracts. During May 1975 negotiations were conducted at Amsey to establish a revised program schedule and to ~~delete~~ the amount of a significant cost overrun under the cost plus fixed fee contract. The completion dates of both contracts were changed from 30 August 1975 to 30 August 1976 respectively.

The estimated cost of the CPFF contract was increased from STAT

reflecting a projected overrun of versus STAT

an overrun of proposed by the contractor. STAT

A ceiling price of was agreed to STAT

by the parties. The contract has an estimated cost of a fixed fee of and STAT

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an estimated and ceiling price of \$ [redacted]

Attachment A hereto is an analysis of the contractor's performance to date since he established his milestone program schedule after the contract negotiation. Attachment B hereto is the contractor's latest cost report showing his profile of planned versus actual costs for the CPFT contract. These documents indicate that the contractor is not on schedule and that he has a serious cost problem.

The contractor has also indicated that there are some technical problems to be resolved under the fixed price hardware contract. The problems are discussed in Attachment C attached hereto.

IV Issues:

The issues which have been identified to date are as follows:

A. Is the contractor in breach of the CFFP Contract due to his failure to make progress or to perform any other provision of the contract?

B. Is the contractor in breach of the FFP Contract due to his failure to make progress or to perform any other provision of the contract.

C. Since acceptance of the Mass Storage System is to take place under CFFP Contract can the Government terminate for default contract due to the

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fact that acceptance of the hardware under the fixed price contract is based upon final acceptance testing under the CPFF contract?

D. What constitutes final acceptance of hardware under the fixed price contract?

E. What are the costs associated with the various alternatives available to the Government in the present circumstances?

F. What are the legal remedies available in the event Contractor refuses to continue performance under the CPFF when the funds required exceed the ceiling price of K.